The Spanish tourism sector, off to a strong start in 2023

Tourism activity continues to advance at a steady pace. In the midst of the low season for much of the sector, the figures published month by month continue to confirm strong demand despite the challenging economic environment that is affecting the global economy, particularly the European one. Will this dynamic continue in the coming months?

Encouraging pattern in tourism demand

The indicators for tourism activity continued to show signs of significant strength at the end of 2022. In December, the number of international tourist arrivals in Spain reached 4.1 million, just 4.4% below the figure for December 2019. This recovery in the volume of international tourists has occurred in an environment of rising prices in the sector. According to the January CPI data, accommodation prices were 18.6% above those of the same month of 2019, while leisure and catering prices were 14.9% higher. The combination of the recovery in volume and the price increases has led to tourism revenues already exceeding pre-pandemic levels. Specifically, the expenditure of international tourists in December was 4.5% above the same month of 2019.

Domestic tourism also performed well at the end of 2022, although by then it had already been above 2019 activity levels for the past three quarters. In December, the number of overnight stays by residents in tourist accommodation establishments was 2.9% higher than in the same month of 2019. One of the key drivers of this excellent performance is the slow recovery of residents travelling abroad. According to CaixaBank card data, card payments abroad in January this year were still 16.8% below the level of January 2019.

How will the high season begin?

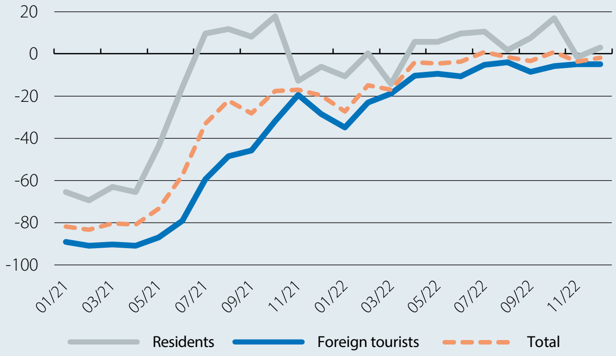
While the figures are very encouraging, it can be risky to judge tourism demand on the basis of low season performance. In this case, it is common practice to analyse the state of demand in the Canary Islands during the winter months – as it is high season there – in order to better understand the strength of tourism demand and anticipate the trend that we could observe when the high season begins on the mainland and in the Balearic Islands.[1]

If we stop to analyse the indicators of international tourism volumes in December in the Canary Islands, the conclusion we reach is that tourism demand is indeed showing great strength, even surpassing the levels of last

1. In December 2019, Spain as a whole registered 4.9% of the entire year's international tourist arrivals, whereas in the Canary Islands this percentage stood at 9.1%.

Spain: overnight stays in tourist accommodation establishments

Change versus the same month of 2019 (%)



Note: *Overnight stays in hotel establishments, tourist apartments, agritourism locations and campsites.*
Source: *CaixaBank Research, based on data from the National Statistics Institute.*

summer. International tourist arrivals were 1.6% above the level of December 2019 and improved on the already good records registered in the summer (–1.0% vs. the summer of 2019). By country of origin, the strength of British tourism stood out, standing above the level of the same month in 2019 (+3.4%) and clearly on an upward path. On the downside, meanwhile, tourism from Germany and Norway remained weak, being the only source countries still below 2019 levels. It is also interesting to note that other European countries with a smaller share in Canary Island tourism are showing significant growth: the Netherlands, France, Ireland and Belgium registered double-digit growth compared to December 2019.

In addition to the good data from the Canary Islands, our indicator of interest in travelling to Spain, developed based on Google searches conducted in tourist source countries, continues to emit positive signals. Specifically, the interest indicator among EU tourists stood in positive territory in February (+4%), mainly due to the strong levels registered in the Netherlands, which rose +10%, and in Germany, which reached +7%, thus reversing the very poor figure noted in January (–17%). As for British tourists, the indicator is in negative territory, which contradicts the trend observed in the Canary Islands, although it is coherent with the difficult economic situation that the United Kingdom is currently going through. Finally, the strength of interest in countries such as the US and Japan could be an indication of a recovery in long-haul tourism, which remains very much incomplete in the case of Asian tourists.

In conclusion, the data from the Canary Islands indicate that tourism demand remains strong, confirming the readings we receive from the indicators for Spain as a whole. On the other hand, the Google search data lead us to anticipate the continued strength of EU tourist arrivals in the short term, to raise some doubts about the strength of British demand and to foresee a buoyant recovery in long-haul tourism.

Margin for growth in a context of eroded purchasing power

The encouraging figures and good outlook for tourism demand are occurring in an adverse macroeconomic environment in which households are seeing their purchasing power eroded by the inflation rally and the tightening of financial conditions. Thus, one would expect to see some degree of containment in tourism spending, being a non-essential form of consumption. However, given that we are emerging from a period with unusually high savings rates, we estimate that some European households still have room to adjust their savings rates, bringing them back down to around pre-pandemic levels, and thus to maintain their consumption levels.

If we analyse the evolution of household savings rates between Q3 2022 (the latest available data) and the same period in 2019 in the main source countries for tourists visiting Spain, only in the cases of Italy and Spain do we observe a lower savings rate in 2022. As can be seen in the second chart, in the United Kingdom the household savings rate stood at 9.0% in Q3 2022, considerably above the pre-pandemic level (5.2%). We observe a similar phenomenon in the cases of Germany, France and the Netherlands, with savings rates still 1.4 and 1.7 pps above 2019 levels.

We expect that this process of normalisation of savings rates will continue to contribute to the recovery of tourism consumption in the coming quarters, along with other growth drivers such as the expected recovery in long-haul tourism (from the US, Latin America and Asia), the higher propensity for domestic travel within the EU and the decongestion of airspace. For all these reasons, we expect that tourism sector activity levels in 2023 will exceed the 2019 benchmark and that the sector will thus definitively consolidate its recovery.

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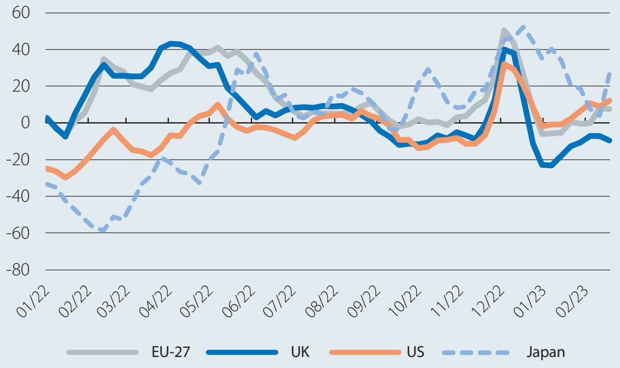
Weekly Google searches about travel to Spain

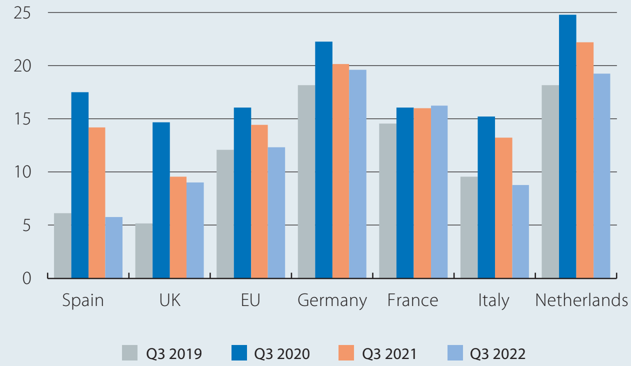
*Change versus the benchmark level (%) **



Notes: *We use search data for the word «Spain» in the United Kingdom, Germany, France, Italy, the Netherlands and the US in the official language of each country within the travel category.*
** The benchmark level is built using the weekly searches conducted between 2017 and 2019.*
Source: *CaixaBank Research, based on Google Trends.*

Household savings rate in Q3 of each year

(% of gross disposable income)



Note: *Data corrected for seasonality and calendar effects.*
Source: *CaixaBank Research, based on data from the National Statistics Institute, Eurostat and the ONS.*